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Next 1 Page(s) In Document Denied

The Director of Central Intelligence  
Washington, D.C. 20505

National Intelligence Council

20 April 1988

MEMORANDUM FOR: See Distribution

FROM: Charles E. Allen  
National Intelligence Officer for Warning

SUBJECT: Monthly Warning Reports for March 1988

1. Summary of Key Warning Issues:

Panama

A decision by General Noriega to cling to power, despite his eroding base of support, increases the likelihood of violence and prolong Panama's recovery period. A protracted crisis will also increase the risk to US personnel and facilities. There is some evidence that the left wing of the ruling party--Tendencia--is arming and preparing to take to the streets to challenge anti-Noriega elements; it also has the capacity to conduct terrorist actions. Analysts differ over Noriega's prospects for political survival. Some believe that an influx of funds to meet payrolls would sharply narrow the opposition's base of support and shore up military backing for Noriega; others believe that Noriega's departure is inevitable and that a cash infusion would only buy him a limited time in power.

This review reflects consideration of inputs generated at warning meetings conducted by the National Intelligence Officers with Community representatives from all areas. As such, it represents a Community-wide review, but it is not a formally coordinated Community product.

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The NIO for Warning believes that the USSR and other socialist countries could decide that they have a real opportunity to make long-term inroads in Panama. Reports of deliveries of plane loads of arms from Cuba to equip Panamanian leftists, as well as Noriega's past practice of dealing with all sides to his advantage, are consistent with this view.

#### South Africa/Cuba/Angola

A major battle between South African and Cuban forces in southwestern Angola is increasingly likely. Cuban and Angolan units are moving south but the South Africans have yet to respond in a major way. Pretoria could strike lead Cuban units or strike bridges in their rear. The volatile military situation has clouded prospects for US/Angolan negotiations to end the war. Luanda wants a settlement, and it may be more comfortable in negotiating now that its battered southern defenses have been improved. The prospect, however, of major new fighting with South Africa reduces chances for talks to succeed. The NIO for Warning notes an airfield [redacted] in southern Angola will enable the Cubans to strike further into Namibia than they have been able to, and provide better air cover for Cuban forces in the south, especially near the Namibian border.

#### Israel

The Palestinian uprising is polarizing the Israeli electorate and benefiting extremists the most. None of the country's leaders has the confidence of the people and the government is unlikely to make decisions on the peace process. Both parties are jockeying for the possibility that disagreements over policy in the territories could force early elections. The continuing conflict is humiliating the Israel Defense Forces and is causing significant emotional trauma within the ranks; prolonged police duty will have negative effects on the training, morale, discipline, and cohesiveness of Israeli combat units.

The Intelligence Community believes that the situation in the Occupied Territories will never be the same again and could get worse. The Palestinians may turn away from their policy of avoiding lethal force. There is a good chance that Israeli settlers and more extreme Palestinians will initiate a self-feeding series of incidents that would further inflame the situation.

The NIO for Warning believes that the current polarized political environment benefits politically the hawks in the Likud bloc, like Ariel Sharon, and that the initiation of tougher repressive measures in the Occupied Territories reflects Prime Minister Shamir's political need to neutralize the radicals who are calling for draconian measures to end the unrest. The goal of these right-wing extremists appears to be expulsion of Palestinian activists and their families, as well as suppression of all Palestinians who advocate a separate state.

### Ethiopia/Sudan

Recent rebel gains after heavy fighting in northern Ethiopia have disrupted deliveries of food relief, and Addis Ababa has responded to its defeats with a series of moves, including cutting food shipments to Eritrea and Tigray. Food stocks already were low. Major population movements to neighboring Sudan are imminent despite Sudanese warnings that refugees will be turned back.

#### 2. Trend Commentary:

### USSR

The results of Moscow's efforts to get the genie of ethnic assertiveness back in the bottle in the Transcaucasia will have a significant impact on planning now underway for a Central Committee plenum on nationalities issues. The Intelligence Community is confident that Moscow will not grant demands that Nagorno-Karabakh be formally linked to Armenia. Instead, the Community believes that Moscow is likely to offer a series of concessions in the cultural and educational realms. These measures will probably be enough to defuse the current crisis. There is a chance for more violence, but security forces will do a better job of controlling crowds.

The NIO/USSR believes, however, that this relatively sanguine prognosis could be wrong; neither we nor the Soviets can be sure that Armenians will accept a rejection of their demand for the joining of Nagorno-Karabakh to Armenia. The NIO/USSR does not rule out a new round of large demonstrations that could excite the already emotionally charged atmosphere between Azeris and Armenians, lead to renewed communal violence, and find resonance among other minority nationalities. The unrest will at least selectively slow the leadership's reform program and Moscow probably will define more clearly the limits of glasnost and democratization. If efforts to resolve the crisis succeed, the damage to Party leader Gorbachev will be limited. However, Gorbachev has increased his personal risk by injecting himself so visibly into efforts to find a solution. If regime initiatives fail to quell the disturbances, Gorbachev's reform program and his political survival could be in jeopardy.

### Hungary

The 15 March demonstration in Budapest--the largest since the 1956 revolution--set a benchmark for street protests demanding change. The party leadership is increasingly divided by rising demands for freedom of the press, free elections, and democratic reform. So far, only comparatively small numbers of intellectuals and activists have participated in demonstrations. Should recent austerity measures encourage others to join the protests, we may see much broader opposition to party policies and more serious splits within the top leadership.

Yugoslavia

Soviet leader Gorbachev's recent visit to Yugoslavia suggests a gradual improvement in bilateral relations but not a change in Belgrade's basic stance toward Moscow. Atmospherics were good, but Yugoslavia will continue to stress its independence and non-alignment. Resolution of trade disputes, the immediate point of contention, will await Premier Ryzhkov's forthcoming visit to Yugoslavia.

Italy

The likely outcome of the current Italian government crisis is a reconstitution of the old coalition headed this time by Christian Democrat De Mita. A less probable outcome, which would result from the inability of De Mita and Socialist leader Craxi to agree, would be a cooperative arrangement between the Christian Democrats and the Communists. Such an outcome would be distasteful to Craxi; he will be motivated to work things out with De Mita.

USSR/Africa

Recent Soviet statements of interest in resolving regional conflicts and reducing East-West tensions in the Third World have not yet lead to concrete suggestions or changed Soviet behavior in Africa. Moscow appears more interested in process than in solutions. The USSR clearly is interested in cutting costs where possible, but it probably will not cut aid to a major client or to any country that can pay for goods and services. Community analysts speculate that Moscow is going through a period of reassessment and that what we see in Africa are indications of policy drift rather than firm decisions.

South Africa

Government repression probably will intensify, dashing hopes for political reform in the near term, at least. More black workers's strikes and student boycotts are likely on May Day and 16 June, the anniversary of the Soweto uprising. The government seems determined to criminalize all political dissent, but the repression is unlikely either to smother black unrest or prevent more electoral gains by the pro-apartheid Conservative Party. Blacks have three unpromising options: increased church activism; more ANC attacks; more ad hoc township protests. The impressive size of strikes on 21 March probably will encourage more.

Chad/Libya

A major battle for Aozou airbase appears unlikely until after the Organization of African Unity summit scheduled for 10-12 April. Libyan forces are likely to probe Chadian positions in the Tibesti Mountains in coming weeks

if Chad does not attack first. Tripoli may attack in conjunction with the French national election, when they may calculate the French will be distracted from Chad. Chadian forces continue to suffer from logistical problems.

3. The NIO/Warning notes these additional areas of warning concern:

North Korea

North Korea's military readiness measures in the past two months suggest that P'yongyang may believe it faces a major threat from the South. North Korean actions are real war preparations, but they are not sufficient to support a total war effort and troops have not moved into attack positions. Increases in North Korean readiness are normal during the US/South Korean Team Spirit exercises each spring; this year, however, the scope and duration of preparations are significantly greater. [redacted] forces are at unprecedented states of readiness. This year's declaration of a state of "semi-war" has caused extensive economic disruptions during a time of economic slowdown. In the past, paramilitary personnel generally conducted training independent of regular forces, but this year they are reaching advanced readiness at the same time. The duration of training of rear area forces also is longer than usual.

Although there are a number of reassuring indicators suggesting that the North is concerned about its defense and is not preparing for offensive operations, the situation has especially worrisome features:

- The alert seems generated by a fear of a South Korean attack inconsistent with our knowledge of the threat. Either the North intends to do something to warrant fear of retaliation--such as disruption of the Olympics in a major way--or it perceives a greater South Korean aggressive intent than we see.
- A conversion of the economy to wartime conditions could occur with little additional effort. [redacted]

Iran

The series of recent Iranian attacks in the Persian Gulf suggest that Tehran has shifted strategy toward a more offensive posture, which may include minelaying. The Iranians have increased attacks on tankers on their own initiative as opposed to their usual practise of responding to Iraqi strikes. They are flying F-4 aircraft against shipping and putting forward air controllers on frigates. [redacted] the Revolutionary Guards have placed 20 mines in Kuwaiti waters and may put more in the path of US warships. Iran has numerous contingency plans for operations in the Gulf, including amphibious assaults against Gulf Arab states and direct attacks

against US Navy ships. Tehran reportedly believes that attacks on US Naval vessels will provoke US retaliatory strikes against Iranian islands, oil platforms, and mainland.

#### China/Vietnam/Spratly Islands

China, having deployed marines to its Spratly Islands holdings and its bombers on Hainan Island to prepare for missions, may be about to press militarily its long-held claim to the islands. It could opt either to attack isolated garrisons or blockade them into submission. Vietnam, China's main opposition and on the defensive against stronger Chinese naval and air forces in the Spratlys, could decide to retaliate against China along their mainland border to relieve pressure on its troops. The Vietnamese did well against China in their 1979 war and probably have confidence that they could do so again.

#### Iran/Saudi Arabia

Iran is already lining up militant Shia for the Hajj this summer to Mecca. Tehran wants vengeance for the violence that resulted in deaths of several hundred Iranians last year. Saudi Arabia is likely again to have trouble controlling the crowds. The pilgrimage could be cover for subversion, sabotage, and terrorism by Revolutionary Guards.

#### India/Pakistan/China

The spring thaw will increase opportunities for Indian military confrontations with both Pakistan and China in disputed mountain border regions. Pakistan may want to recover parts of Siachen Glacier lost to India last year.

#### Ecuador

A win by leftist, anti-military candidate Bucaram in Ecuador's May presidential election could trigger a military coup. The Army appears reluctant to move, however, unless the charismatic Bucaram has won.

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Next 6 Page(s) In Document Denied

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